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*Kapital und Kapitalzins. Zweite Abteilung: Positive Theorie des Kapitals.* By EUGEN VON BOEHM-BAWERK. Third edition. (Innsbruck: Verband der Wagner'schen Universitäts-Buchhandlung. 1912. Pp. viii, 760. 21 M.)

With the volume under review Professor Böhm-Bawerk has completed the revision of his epoch-making *Kapital und Kapitalzins*. The text of this volume parallels that of Book III in the earlier editions of the *Positive Theorie des Kapitals* (Books IV-VII in Smart's translation). What we have, therefore, in this new form is Böhm-Bawerk's exposition of the theory of value and price and of the theory of interest. That the author has undertaken the task of revision in no perfunctory spirit is attested by the fact that the 333 pages of the second edition are now expanded to 460 pages of text and 300 pages of excursus. There is scarcely any part of the work in which the exposition has not undergone substantial modification.

A large proportion of the literature on interest during the last two decades has centered in Böhm-Bawerk's theory. It may fairly be said that a primary classification of economic theorists is based upon the acceptance or rejection of Böhm-Bawerk's interest doctrine. His theory of value and price does not present so many strikingly individual traits. None the less, his formulation is in many respects the ripest work of the so-called psychological school of value theorists, and has served more frequently than has any other to illustrate the merits and the defects of the work of this school. Professor Böhm-Bawerk's frequent contributions to the periodical literature of economics has offered sufficient evidence that he has allowed little of the vast volume of criticism to escape him. Accordingly, it is with keen interest that the reader examines this final statement of Böhm-Bawerk's doctrines to ascertain how far the master has found it necessary to modify his original views.

In its essentials the author's system has remained unchanged. At many points the forms of expression have become less dogmatic, but this is frequently through the restoration of the text of the *Grundzüge der Theorie des wirtschaftlichen Güterwerts*, which had been presented in abbreviated form in the first edition of the *Positive Theorie*. In a less talented author the infrequency of substantial modifications might be ascribed to crystallization of thought. The new material in the present work, however,

displays the same logical power and vigor of expression that characterized the author's earlier work. The present volume may therefore be taken as evidence that the *Positive Theorie*, as we first learned to know it, was essentially a closed system. Even so great a mind as that of Böhm-Bawerk has not been able, in twenty years, to deduce new truth from its presuppositions.

Criticism of Böhm-Bawerk's value system has not, indeed, been confined to a questioning of his presuppositions. The logic of his treatment of the relation of value to cost was once violently attacked, and it cannot be said that the assailants have even yet retired from the field. Marshall's doctrine of the reciprocal relation of value and costs has still many adherents; so also has the cost doctrine of Dietzel. In Excursus VIII, on Wert und Kosten, Böhm-Bawerk ably defends his position against the attacks of these writers, and against criticisms of Schumpeter having the same trend. The reader who holds no brief for the English classical school will regard Böhm-Bawerk's logic as conclusive. His imputation theory, also, has been attacked by those who accept the principle that some theory of imputation is absolutely indispensable. Wieser's strictures upon Böhm-Bawerk's method are familiar to all students of economic theory. That Wieser's point was not well taken has been shown by other scholars, but perhaps nowhere more conclusively than in Excursus VII of the present volume, entitled *Theorie der Zurechnung*. The hedonistic terminology of Böhm-Bawerk's value theory has also given occasion to an extensive volume of criticism. To meet this criticism our author attaches to his discussion of value a chapter entitled *Psychologisches Nachwort zur Werttheorie*, in which he shows that psychological hedonism is no part of the assumptions of his theory. "Utility" and "welfare" are to be interpreted broadly enough to cover anything men consider worth striving for.

To an American student of theory, the most interesting part of the present work is the attempt to meet the criticism of Fisher on the relation of productivity, or the "technical superiority of present goods," to the rate of interest. According to Fisher's doctrine, undervaluation of the future, rational or irrational, and differences in the provision for present and future, are alone sufficient to explain the rate of interest; the facts of technical productivity have no bearing here. Böhm-Bawerk admits (Excursus XII) that in the absence of the elements upon which

Fisher bases the interest rate, there could be no interest; but he insists that it is equally true that were the technical superiority of present goods annihilated, interest would disappear. This consideration he regards as sufficient ground for treating the technical superiority of present goods as a cause of interest.

What most students have regarded as of chief significance in Fisher's criticism, and in the similar criticism of Bortkiewicz, is the proof that in every example by which Böhm-Bawerk has sought to exhibit the operation of the technical superiority of present goods, a preference for present goods is tacitly assumed. It is possible, in thought, to derive an interest rate from time preference alone. It is not possible to derive a rate from the technical superiority of present goods alone, if we accept the presuppositions that lie at the basis of the value theories of both Böhm-Bawerk and Fisher. A close examination of the arguments in *Excursus XII* will show that it remains true here, as in the main body of the text, that time preference inevitably slips in to validate the operation of the superiority of present goods.

With the single exception of the treatment of the relation of productivity to the interest rate, the system of Böhm-Bawerk, as here presented, appears to be logically unassailable. Further criticism of it must confine itself to the presuppositions of the system. That these, however, are not universally acceptable the history of recent criticism shows clearly enough.

Böhm-Bawerk and his entire school have erected valuation into what is essentially a logical process. Böhm-Bawerk's value theory has been described as a psychological theory, but as every one now knows, this description is misleading. The theory assumes as its starting-point satisfactions—whether hedonistically conceived or not—that are definitely measurable in themselves. From the magnitudes of these satisfactions all value magnitudes are derived by a logical process. Impulse, tradition, social forces, operate to influence the satisfaction magnitudes; but when the latter are taken for granted, valuation is strictly an individualistic, rational process.

What, however, does psychology know of this antecedent structure of satisfaction magnitudes, or utilities? Practically nothing. There are such magnitudes, no doubt, but that they present the form that has been given to them by the value theorists is highly improbable. Not satisfactions, but goods, are valued in the first instance. Individual whim and social influence play directly upon

the structure of values. If any one ever attempts to give definite magnitudes to his satisfactions, it is because he has been trained to do so through the handling of goods.

When value is approached from a truly psychological point of view, immediacy is its universal characteristic. One value is not derived from another; all are on the same footing. There may be a long-run tendency to adjust values to satisfactions, but this tendency must be treated as a psychological, not as a logical, process. The relation between income values and capital values, like all other value relations, is psychological, not logical, as assumed by both Böhm-Bawerk and Fisher. From this point of view, it appears that the technical superiority of present goods may indeed be erected into an independent cause of interest. Let this superiority increase or decrease: readjustments in capital value must follow, if at all, through a laborious psychological process, not through a timeless logical process. Accordingly, Böhm-Bawerk's interest doctrine, if open to attack on the basis of a purely logical value theory, is the more likely to survive when the logical theory gives way to a theory better grounded in psychology.

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#### NEW BOOKS

BOGARDUS, E. S. *An introduction to the social sciences; a textbook outline.* (Los Angeles: University of Southern California. 1913. Pp. 206. \$1.50.)

BULLOCK, C. J. *The elements of economics.* Second edition. (Boston: Silver, Burdett. 1913. Pp. vii, 378. \$1.)

"Changes have been made as the events of the last eight years have made necessary."

CANNAN, E. *Wealth. A brief examination of the causes of economic welfare.* (London: King. 1913. 3s. 6d.)

CHAPMAN, S. J. *Elementary economics.* (New York: Longmans. 1913. Pp. x, 169. 75c.)

To his *Outlines of Political Economy* and his *Political Economy* (Home University Series) Professor Chapman now adds a third elementary textbook, which is stated to be introductory to the *Outlines*. In a general way it has the merits of his other texts and unfortunately their defects. While perhaps not absolutely so abstruse and dry as reviewers have pronounced the previous works, this book would be, relatively to the capabilities of the younger pupils for whom designed, equally as unsuited for purposes of instruction. It is certainly to be hoped that with publication within